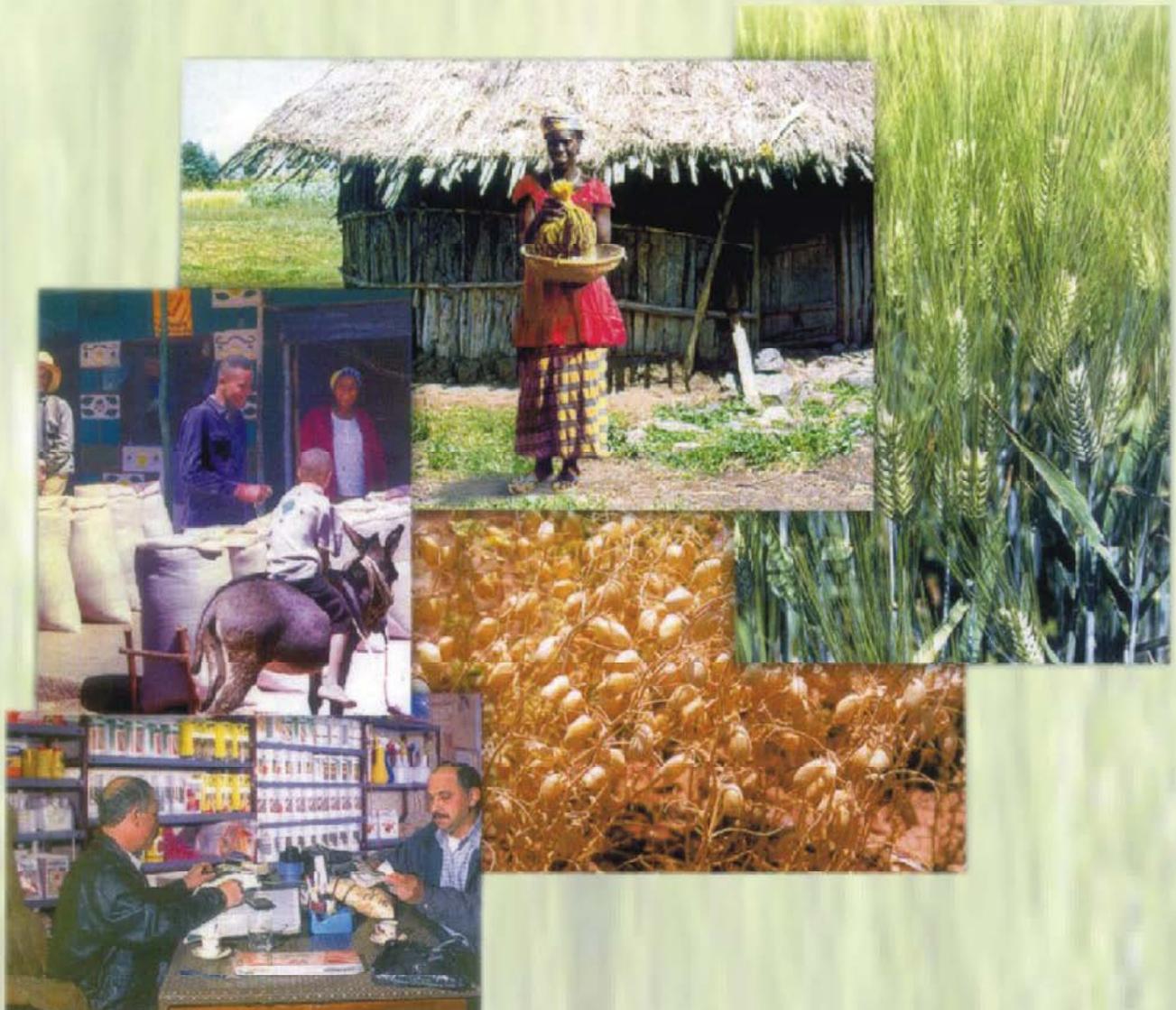


Seed Economics

Commercial Consideration for Enterprise Management in Developing Countries

Sam Kugbei



International Center for Agricultural Research in the Dry Areas

Scientific Publishers (India), Jodhpur

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Foreword

The majority of our staple food crops are annual cereals and legumes for which farmers have to obtain seed to produce a new crop each year. For this reason, it is always said that "seeds are the fundamental input to crop production." That statement is true in a biological sense, but it can be misleading in terms of organizing a system to supply seed to farmers. The fact that seeds are 'essential' does not mean that one can easily sell them because, being a living product, they have some other unusual characteristics. Most important, the farmers themselves can usually produce seed, and this is always the case with the traditional staple crops. Consequently, there is no obligation for farmers to purchase seed - it can be obtained from other sources within the farm, village, or nearby areas.

In the past, many seed projects made the mistake of emphasizing production while giving little attention to marketing or to financial management. As a result, they often had unsold stocks of seed, or they resorted to subsidies to create an unreal demand. However, such approaches have become less favored in recent years, as many governments have sought to reduce their expenditure due to policy changes or simply a lack of resources. Consequently, many activities, which were previously regarded as a service to farmers, are now expected to be financially viable and 'sustainable' without external support.

As a result of this change, it is now much more important to understand the economics of seed production and supply as bases for establishing new enterprises which can meet farmers' needs on a regular basis and at a moderate cost. In the case of many staple food crops, this is not an easy task, since as already noted, farmers have alternative options for meeting their seed requirements. This is why government seed organizations and 'parastatals' must also become more conscious about costs, since they usually have the responsibility for producing seed of the strategic crops, which are the most difficult to sell.

There are other reasons why it is important to have a reliable source of seed available, that is, to provide a channel for introducing and diffusing new varieties coming from research stations. In this case, the economics of variety diffusion and their impact on farmers are very important dimensions of

the seed supply system. We recognize the importance of the 'informal seed sector' by which seed is retained or moves within the farms or community, but there is still a need for a secure formal channel, which effectively links research to agriculture. Some farmers will also choose to buy fresh seed from time to time to renew their stocks in cases such as a build-up of disease.

We now understand that it is difficult for large seed corporations to meet the needs of smaller farmers for a variety of reasons. Weak marketing systems, high transport costs, and limited range of varieties are common problems they experience. Of course, subsidies can conceal the true costs of the seed, but as already noted, governments are becoming increasingly reluctant to provide those subsidies.

Against this background, the Seed Unit at ICARDA identified the economics of seed production as a subject which has been neglected in the past and which now needs urgent attention. With the support of a GTZ project, the Unit is bringing together expertise in the area of economics of seed production and seed technology. As a result, economics and financial management receive priority in the training activities of the Seed Unit. It was also considered important to produce a Book on the economics of seed production and marketing and relate this to the technical operations involved. The result is this publication, which is intended to assist those who feel that they have a gap in their knowledge, either technologists who need to understand economics or economists who have become involved in the seed enterprises.

We hope that this publication will be a useful contribution to develop seed supply systems, and specifically to assist them in the difficult process of putting their activities on a more secure financial basis and, at the same time, providing the services which farmers need.



Prof. Dr Adel El-Beltagy
Director General
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